

# Exhibit H



April 6, 2018

Mr. Michael E. Rokos, CAMS  
First Vice President, BSA Officer  
Apple Bank for Savings  
122 E. 42nd Street  
New York, NY 10168

Dear Mr. Rokos,

We are pleased to confirm our understanding of the services we are to provide for Apple Bank for Savings (the "Bank").

**Initiative Scope and Activity Guidelines**

The scope and project deliverables developed by our experienced teams have been designed to meet interagency regulatory guidance. The following represents an outline of high-level tasks to be performed:

***Evaluation of Conceptual Design and System***

Identifying and documenting gaps or limitations during the due diligence process further aids a financial institution in the Customer Risk Rating model selection process. Where gaps or limitations are observed, the Bank can determine if any manual or compensating controls can be implemented to help enable the proper mitigation categorization of Customer Risk Ratings.

This includes performing the following activities:

- I. Review customer risk rating methodology
- II. Review the Banker's Toolbox Rules Based Risk Rating Module (the "RBRRM") functionality and usage

***Ongoing Monitoring***

Ongoing monitoring is essential to evaluate whether changes in products, exposures, activities, clients, or market conditions necessitate adjustment, redevelopment, or replacement of the model, and to verify that any extension of the model beyond its original scope is valid. Any system limitations identified in the development stage should be regularly assessed over time, as part of ongoing monitoring.

This includes performing the following activities:

- I. Evaluate the factors that are used to determine the customer risk and determine whether they are sufficient and appropriate for the Bank's customer client base.
- II. Review and assess risk rating scores and weights.

***Process Verification***

Process verification includes workflow process documentation to visually show internal and external data inputs. This includes reviewing and documenting customer risk rating logical data and information process workflow (MS Visio diagram).

33 Wood Avenue South  
Suite 600  
Iselin, NJ 08830



#### ***Data Request***

Development of the Data Request Form ("DRF") which outlines specific data criteria needed for this engagement, which at a minimum would include the following:

- CIF file from the Core system
- CIF file from BAM
- Other data as required

The DRF will outline specific fields and formats which must be adhered to. We will review and reconcile the data files prepared by the Bank to ensure that they meet the requirements as specified in the DRF.

#### ***System Validation***

The system validation draws from various sources of data, processes large amounts of data, and then validates the data repositories in the customer risk rating software.

Validate required customer information is accurate and key data points are complete for the purposes of customer risk rating.

#### ***Outcome Analysis***

A variety of quantitative and qualitative testing and analytical techniques can be used in outcomes analysis. The choice of technique is based on the model's methodology, its complexity, data availability, and the magnitude of potential model risk to the financial institution. This considers reviewing customer risk rating parameters or scoring algorithms to be appropriate and aligned with the financial institution's risk profile.

This includes performing the following activities:

- I. Conduct stress tests against a representative sample set of customers that reflects a broad range of various type of customers and factors. Tests to include assessing the score and weights aggregation in to a customer risk rating for the following:
  - Product codes
  - Country codes
  - TINs
  - Transactions
  - Account Tags
  - Other Factors
- II. Test and assess the impact of customer risk rating on BSA/AML transaction monitoring
- III. Validate the High Risk List is properly adding and removing customers to the list.
- IV. Test and assess the risk weighting percentages for reasonableness on the above factors in item I.

#### ***Governance and Controls***

Developing and maintaining strong governance over the model is fundamentally important to its effectiveness. The design and implementation of procedures help to ensure that the model achieves its intended purpose. The use of and reliance on the model requires oversight, risk management and defined roles and responsibilities.

This includes performing the following activities:

- I. Governance Structure Framework which include a broad review of:
  - a. Board Oversight



- b. Risk Management
- c. Internal Audit Process
- d. Independent Validation Cycle

II. Internal Processes:

- e. Assess and review policies and procedures along with the established governance and oversight for the CRR process.
- f. Review and evaluate the role and responsibilities established for the gathering and updating customer data to include system access management controls.
- g. Evaluate security (non-system) and change management controls for change in settings, updating, or overriding system values.
- h. Validate the process for input of customer attributes and other information and check against system data.

Fees

Based on our experience in this type of initiative, as well as our current understanding of your structure, operations and requirements, we have estimated the engagement as follows:

- Customer Risk Rating Model Validation \$ 515,300.00

We will bill you 50% of the total annual fees prior to the commencement of the annual engagement and bill the remaining portion upon its completion. In addition to our basic fee, we will bill you for out-of-pocket expenses for actual costs relating to local travel. We will also bill you for an additional allocated administrative overhead factor of 8% on total gross fees, to be paid in full in the first year. Additionally, we would request that the Bank designate one individual to function as the liaison for coordinating our services to the Bank. The duration and actual hours needed to complete this project may vary based on how long it takes to gather the information, number of interviews and requirements by management for planning and turnaround on reviews provided by bank management in working toward the deliverable of this engagement.

The terms of this engagement are subject to the Master Service Agreement executed April 6, 2018.

Best regards,

GRC Solutions

RESPONSE:

This letter sets forth the understanding of Apple Bank for Savings for the Customer Risk Rating Model Validation.

Authorized Signature:

Title:

Date:

[unclear] Officer  
5/21/18